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C O N F I D E N T I A L PANAMA 002137

SIPDIS

FOR WHA/EPSC EDUARDO J. MARTINEZ

E.O. 12958: DECL: 08/20/2014

TAGS: ECON ENRG XK PM CARIB ECONOMIC AFFAIRS

SUBJECT: PANAMA'S RELIANCE ON VENEZUELAN OIL

REF: STATE 176535

Classified By: ECON Chief Andrew Bowen for reasons 1.5 (b) and (d).

¶11. (U) Per instructions, paras 2 and 3 contain answers to reftel.

¶12. (U) While Panama imports over half of its oil from Venezuela, it does not do so under the terms of either the San Jose or Caracas Accords. Panama is a signatory to both Accords; however, it did not/renew the Caracas Accords after the initial year. Panama purchased oil using the San Jose Accords in the 1980s (until 1989) because, at that time, the GOP controlled the oil industry in Panama. Panama's last refinery closed at the end of 2002 and today the country only imports refined oil. In 2003, Panama imported 7,654,366.78 barrels. Fifty-one percent was imported from Venezuela, 27 percent from the United States, 5 percent from Trinidad, and 17 percent from other countries.

¶13. (C) Panama does not consider Venezuela to be a stable supplier of petroleum because delivery dates and schedules are not met consistently. In the past, Panama received its oil directly from refineries in Venezuela. However, these refineries began to have production problems and could not accommodate demand. Consequently, Panama receives its oil from Venezuela after it has been refined in Aruba. Venezuela maintains that this is the only refinery available to meet Panama's demand. The GOP has not/received any formal proposal from the Government of Venezuela regarding PetroAmerica. (Comment. From post's conversations with GOP hydrocarbon experts, it does not seem likely Panama would be interested in this initiative. End comment.)

MCMULLEN